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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D.C.

"PROGRESS ON ALL FRONTS"

UNDER THE

FARM ACT

By GEORGE N. PEEK, Administrator

[NOTE.—This article was written by Mr. Peek for the New York Times and was published November 12, 1933. Because of the comment it aroused, the Agricultural Adjustment Administration decided to publish it in pamphlet form, by special permission from the New York Times. It appears just as published in the Times as a correct survey of activity under the act up to November 12. It is, in effect, a sequel to The First Four Months Under the Farm Act, an article by Mr. Peek published in the New York Times September 17, 1933, and reprinted in October 1933 by the Agricultural Adjustment Administration.]

TWO months ago, at the request of the New York Times, I described the first steps we had taken to carry out the terms of the Agricultural Adjustment Act. Now, responding to a second request, I shall try to bring the story up to date.

The last 2 months have been full of action. Almost every day has had its share of drama. The task in which we are engaged is a gigantic one. It is nothing less than the rehabilitation of American agriculture after 12 years of shameful neglect. But, as the cries for help from the Middle West have indicated, we cannot take another 12 years to accomplish it. We must work fast and we are carrying our plans into effect with all the speed that is humanly—not to say superhumanly—possible.

Secretary Wallace and I both know what the farmers of the corn and wheat States are up against. They are our neighbors. For 12 years we have been waging a battle in their behalf. At last it is possible to tell them that help is on the way. But some of them, driven to a frenzy of despair, are scarcely able to believe it.

They are like a man in a desert, crazed from thirst, who tries to shoot a friend coming with water which will save his life. Or like a drowning man who, in his panic, tries to get a death grip on his rescuer. These despairing farmers have turned their attack on the administration, which already has set in motion a program that within the next few weeks and months will pour hundreds of millions of dollars into the Corn and Wheat Belts.

The activities of the farm strikers and the demands of their leaders have naturally filled the headlines. These events have obscured the tremendous progress which has been made in the cooperative effort of farmers and Government to bring production into line with effective demand, and thus make parity prices possible.

In 1,450 counties more than 550,000 wheat growers have formed associations for the purpose of reducing their wheat acreage in 1934 and 1935. Every one of these 550,000 farmers has provided his county agricultural agent with a record of his production over the last 5 years, together with a plat of his fields. From this information his allotment—the number of bushels which represents his share of the domestic wheat market—has been computed. Then the farmer has signed a contract to reduce his wheat acreage by not less than 20 percent during 1934 and 1935—though a reduction of only 15 percent has been required in 1934. In return for his pledge of cooperation the Government has agreed to pay him a benefit of 28 cents a bushel on his allotment. This will be derived from the 30-cent processing tax.

WHEAT ACREAGE REDUCED

As a result of the wheat program, the contracting farmers have agreed to reduce their plantings by 7,800,000 acres in 1934. Eighty percent of all the wheat acreage in the United States is represented in the applications for contracts which have been signed. The first \$70,000,000 of benefit payments totaling more than \$100,000,000 will be made soon. Some checks have already been issued. The rest will go out as soon as the final examination of figures has been made.

The amount of benefit payments going into Kansas is estimated at \$24,285,000; into North Dakota, \$14,683,000; into Nebraska, \$6,426,000; into Oklahoma, \$6,891,000; into Montana, \$6,463,000; into Washington, \$5,001,000; and into South Dakota, \$5,229,000.

The farmers who have cooperated in this program—and this includes nearly 100 percent in the States where wheat is grown intensively—are not resorting to violence to get justice. They distrust the promises of the strike leaders that the cities can be starved into paying them higher prices. They prefer to rely on the promises of the Government, for these are promises which can be and will be carried out.

We expect the same sort of cooperation from the corn-and-hog farmers. The sign-up campaign for reducing production of corn and hogs will begin soon. We expect it to be completed by the first of the year, and to start the benefit payments flowing out to those who participate.

LOANS ON STORED CORN

The need for cash on the farms of the Corn Belt is acute. Many counties have had no banks for years. Recognizing this need, the administration has arranged to make substantial loans to farmers on their stored corn. These loans will be made through the newly created Commodity Credit Corporation and will be conditioned on willingness of farmers to participate in the corn-and-hog control program.

While there is no disagreement between the administration and its critics as to objective, there is important divergence as to method. One plan proposed to us recently would have involved the licensing of all farmers and the use of a ticket-punching system in marketing their products. With this plan we could not agree. If all the farmers of the United States were willing to submit to this type of regimentation, we could obviously establish a quick and complete control over the entire agricultural industry. But if it were put into effect, I am afraid that where hundreds of farmers are protesting now there would be thousands participating in such demonstrations.

BENEFITS OF VOLUNTARY PLAN

If universal license for farmers were the only way out for them, I should favor it, too. But such a drastic plan is neither necessary nor expedient. The adjustment program already mapped provides a way by which farmers can stand together, neighbor with neighbor, on a voluntary basis. They need not surrender an iota of their traditional freedom of action. And they need not fear that the minority of noncooperative farmers will take advantage of them.

The Agricultural Adjustment Act has overcome the fatal weakness of previous efforts of farmers' cooperatives. In the past, members of these associations have always found that in any efforts to boost prices by withholding supply they were merely holding an umbrella over the nonmembers. Now, a farmer who cooperates and cuts down his production is rewarded with a benefit payment which assures him that he will not lose by so doing. His noncooperating neighbor may produce and sell all he pleases, but he will receive no checks from the Government. In other words, the Government is not telling the farmers what they can or cannot grow or sell, but it is making it profitable for most farmers to participate in a planned agricultural economy.

We have faith in our program because it is already showing real results in the South. In my article 2 months ago I told of our emergency cotton campaign, in which more than 10,000,000 acres were taken out of production. This reduced the yield from more than 17,000,000 bales—which would have been the second largest in history—to 13,100,000 bales. It prevented the price of cotton, already extremely low, from collapsing to ruinous levels.

In consideration of their cooperation the cotton growers who participated were promised benefit payments and options. The task of tabulating the contracts and making out more than a million checks for \$110,000,000 in benefit payments was a tremendous one and required time. Meanwhile the people of the South, still feeling the pinch of depression, grew restive. Delegations came to Washington, asking immediate inflation of the currency and a guaranteed price. Now that the \$110,000,000 in benefit payments has actually gone out, reports from the South are that conditions have shown a great improvement.

The farmers have been able to buy many of the things they needed and in addition to pay off some of their most pressing debts. The money is flowing through commercial channels, and all interests in the South are being benefited. Some of the money is finding its way

into the North in the form of orders for shoes, clothing, and a thousand and one industrial products as well as in interest payments to the mortgage holders.

"LIKE A BLOOD TRANSFUSION"

This is what I meant when in a recent address I referred to getting the money out to the grass roots. Purchasing power placed in the hands of the people on the farm is certain to be used. Like a blood transfusion for a dying man, it circulates through the arteries of our economic body and brings a new vitality.

Besides the benefit payments which have already gone out, the cotton growers should realize around \$48,000,000 from the options which they hold on 2,400,000 bales of cotton previously purchased by the Government. These options were given to producers as one of the alternative benefit plans. They are based on a 6-cent price, and the producers will get the difference between 6 cents and the price at which the cotton is finally sold.

An additional measure of relief was promised to the cotton producers a few weeks ago. They were told they could borrow up to 10 cents a pound on all cotton of the 1933 crop still in their hands. Thus they are protected from having to market the current cotton crop at unsatisfactory prices. This means that if the price goes up, the farmers themselves will benefit, and not the speculators. The loans are being made through the Commodity Credit Corporation, to which I referred in connection with the loans on corn.

If the full cotton crop of 17,000,000 bales had matured, the farm price undoubtedly would have fallen as low as 5 cents a pound, or \$25 a bale. This would have meant a gross income to growers of only \$425,000,000. At a farm price of 10 cents a pound, or \$50 a bale, the 13,100,000-bale crop has a value of \$655,000,000. Adding \$150,000,000 in benefit payments and profits from options, we have a total of \$805,000,000—or a potential increase of \$380,000,000 in the income of the growers as a result of the cotton acreage program and the other emergency measures of the administration.

We are now formulating a cotton program for the years 1934 and 1935. After conferring with representative cotton producers, we have determined to reduce acreage from the usual 40,000,000 acres to 25,000,000 acres. For the past season benefit payments were made in the form of rentals based on the estimated yield per acre. They ranged from \$6 to \$20 an acre. Next year rentals will be based on the yield over the last 5 years, plus benefit payments on each farmer's domestic allotment.

NEW YEAR'S PROSPECTS

Rentals and benefit payments next year will again make a substantial addition to the purchasing power of the cotton farmer. The reduced acreage should yield a crop smaller than the amount of normal consumption, in which case the excessive carryover will be further reduced. There is also the strong possibility that demand for cotton will increase as recovery progresses. So if the continued adjustment of cotton production into the next season meets with the same success as did the program just completed, we shall have

taken the second important step in achieving the normal balance in production and demand.

Another reason why the South is feeling the return of prosperity is the increase in the prices of flue-cured tobacco resulting in large part from the measures we have taken. The 1933 crop, grown in North Carolina, South Carolina, Virginia, Georgia, and Florida, exceeds 700,000,000 pounds, nearly twice the size of last year's crop. As the season progressed and estimates of the crop increased, prices weakened. Finally, on September 1, the Governors of North Carolina and South Carolina declared a market holiday and called upon us for assistance.

A 30 PERCENT CROP CUT

In the emergency, to insure that excessive production would not continue next year and to pave the way for higher prices this year, the administration went to the growers with a temporary agreement. Ninety-five percent of them signed it, pledging themselves later to sign a formal agreement to reduce production as much as 30 percent.

Then we began negotiations with the big manufacturers for a marketing agreement. Early in October an agreement was signed in which the manufacturers agreed to purchase an amount equal to the quantity they had used last year—250,000,000 pounds—at a price of not less than 17 cents a pound. Under this agreement purchases are to extend to the end of the marketing season in March and will include all tobacco bought after September 25, the date on which the markets reopened. These purchases are in addition to the 75,000,000 pounds which the manufacturers had bought previous to the market holiday. Since some growers had sold their crop before the agreement was signed, we have arranged to make adjustment payments to them from the proceeds of a processing tax of 4.2 cents a pound.

More than 50 percent of the flue-cured crop is exported. As a result of improved conditions in the market, exporters had to bid more, thus increasing the price of tobacco going abroad as well as that for domestic use.

In the flue-cured tobacco plan the control of production and the control of prices through the marketing agreement with the manufacturers go hand in hand. The manufacturers were willing to guarantee the 17-cent price as long as they knew production would be held down in 1934 and 1935 and that the big competitors would not be able to acquire tobacco at a lower price.

Growers of flue-cured tobacco will receive at the present level of prices approximately \$110,000,000 for the 1933 crop. In addition they will receive \$10,000,000 in the form of adjustment payments. This total of \$120,000,000 compares with \$43,000,000 for the 1932 crop and \$56,000,000 for that of 1931.

THE PROGRAM FOR 1934

The plan for 1934 is to reduce acreage from a base of 900,000 acres to 700,000 acres, which with a normal crop will yield 500,000,000 pounds. It is estimated that \$19,000,000 will be distributed in benefits in 1934 and 1935 to the growers who participate. This will be in addition to any price improvement.

Measures similar to those affecting flue-cured tobacco were taken with respect to cigar tobacco grown in New England, Pennsylvania, New York, Wisconsin, Minnesota, Indiana, Ohio, Georgia, and Florida. So far we have paid benefits of over \$1,000,000 to the growers of cigar tobacco. To this will be added approximately \$1,500,000 more.

We are just now mapping a program for burley tobacco, grown in Kentucky, Tennessee, and elsewhere; for Maryland tobacco, for fine-cured tobacco, grown in Virginia, Tennessee, and Kentucky, and for dark air-cured tobacco, grown in Kentucky and Indiana. We are hoping to receive the cooperation of the manufacturers on these types as we did on the flue-cured.

The program for corn and hogs, commodities between which there is a close relationship, calls for reduction of 25 percent in the number of hogs farrowed and marketed and of 20 percent in the acreage of corn. Altogether, \$350,000,000 will be distributed in benefit payments between now and February 1, 1935, if the campaign is successful.

As an emergency measure, last summer we offered a premium on pigs of less than 100 pounds brought to market. This attracted the marketing of 6,200,000 pigs between August 23 and September 29 and gave brighter prospects for the early winter pork market. Also, we paid a flat bonus of \$4 a head above the market price for 200,000 sows. This activity will result in decreased surplus this winter and next spring.

PORK FOR THE NEEDY

The Government entered into contracts with the packers at various points to purchase, slaughter, process, and cure the pigs and sows and convert them into edible and inedible products. Some of it went into pork for relief purposes and some into inedible grease and fertilizer tankage. As a result we have 100,000,000 pounds of pork which will be distributed to needy families through the Federal Emergency Relief Administration. To this will be added another 300,000,000 pounds which will be purchased by the Federal Surplus Relief Corporation in the coming months.

The campaign to induce corn-and-hog farmers to sign contracts to reduce production soon will get under way. The farmer will receive 30 cents a bushel for the average production on the acres taken out of corn. Of this amount he will receive 20 cents after the contract is accepted and the other 10 cents on or after November 6, 1934.

On 75 percent of his average hog production from home-farrowed sows in the past the farmer will receive \$5 a head, of which \$2 will be paid on acceptance of the contract, \$1 on September 1, 1934, and \$2 on February 1, 1935.

Funds for benefit payments to farmers will be derived from processing taxes. The tax on hogs has been started at 50 cents a hundredweight and will be gradually increased to \$2 by February 1, 1934. The tax on corn has been started at 5 cents and will be increased on December 1 to 20 cents. Of the total corn-and-hog benefits of \$350,000,000 it is expected that \$180,000,000 will be paid within the next few months, \$90,000,000 next fall, and \$80,000,000 early in 1935.

The corn-and-hog problem is especially difficult because it involves the double-headed proposition of adjusting the production of a meat animal and its feed. This is the first of the complex livestock problems with which we shall have to deal.

Our efforts to help the dairy industry, the largest branch of American agriculture, have been directed thus far chiefly to the effectuation of marketing agreements covering fluid-milk areas. For more than 2 years milk prices had been falling, and strikes, investigations, racketeering, and generally chaotic conditions had prevailed. The primary purpose of the marketing agreements is to increase the price to producers, taking care at the same time that consumers are protected against unwarranted increases. Up to November 1 agreements had been signed for Chicago, Philadelphia, Detroit, Minneapolis and St. Paul, Baltimore, Knoxville, Evansville, Boston, New Orleans, and Des Moines, affecting a total of 80,000 dairymen.

Numerous controversial questions other than the price to producers have arisen in connection with these milk agreements, and the administration has been faced with the task of acting as umpire. However, we expect, by means of hearings held in the communities affected, to turn such questions as these back to the communities themselves for settlement, with representatives of producers, distributors, and consumers all participating.

More than 200 proposed milk agreements from all parts of the country have been submitted and are in various stages of completion. One of these, covering the New York milk shed, involves the marketing of 7,000,000 quarts of milk daily and affects more than 60,000 producers.

RELIEF FOR DAIRIES

The entire dairy situation is being studied and we hope, with the aid of the industry itself, to develop a control program which will embrace all its branches. As an emergency measure, we have set up the Dairy Marketing Corporation, which is buying butter for distribution through the Federal Surplus Relief Corporation and the Federal Emergency Relief Administration. Funds for the purchases will be derived from a processing tax on butter fat. The butter purchases have already stabilized the price.

Another measure is the marketing agreement covering evaporated milk, in which the manufacturers agree to pay farmers minimum prices for their milk.

Rice growers, through two marketing agreements between the Agricultural Adjustment Administration and the rice millers, will receive in the neighborhood of \$30,000,000 for their 1933 crop instead of \$20,000,000, as would otherwise have been the case. These agreements also stabilize the basis for export sales and provide for a product of improved quality. Arrangements for production control will be incorporated in the agreements later.

Other agreements, covering the marketing of fruits and nuts, are bringing striking results and show the possibilities of this mechanism for increasing prices to producers of many of the minor crops. The

California cling-peach agreement has brought an increase of more than \$2,000,000 in growers' income, 100 percent more than in 1932. The walnut agreement promises to give an increase of \$1,800,000, or 50 percent more than last year's crop brought. Other agreements now in effect cover the marketing of deciduous tree fruits in California, apples and other tree fruits in the Northwest, and Tokay grapes in California. Agreements covering the citrus industry in Florida, Texas, and California soon will be approved. Many other crops will be affected by still other agreements which are now being formulated.

Conditions in the beef-cattle industry will be materially improved through purchases of canned beef and corned beef by the Federal Surplus Relief Corporation. The possibilities of this type of relief for the poultry and egg industry, the bean industry, and the peanut industry are now being investigated.

I have not space to discuss the work we have been doing in connection with the codes of fair competition for industries handling food and agricultural products. Supervision of these has been delegated to us by the President under the National Industrial Recovery Act. Through these codes we expect to eliminate many destructive trade practices in the distribution of these products, with resulting benefits both to producers and to consumers.

METHODS OF RAISING PRICES

From the plans I have described for the various commodities it will be seen that we are employing a great variety of methods in order to increase prices to producers. I am not averse to price fixing when it is coupled with production control, as is evidenced in the plans for tobacco, rice, milk, and many other products. But no general formula has been developed which would make one plan applicable to all crops.

Production control has been objected to by many people. They say that the farmer should be allowed to produce all he wants to of whatever commodity his fancy dictates. I wish that the situation were such that this was a safe policy to follow. But it is not. As a result of the national policies we have pursued for the last dozen years, foreign markets have been largely closed to us. Since 18 percent of the total agricultural income normally has come from agricultural exports, the need for retirement from haphazard and surplus production becomes apparent.

In industry every successful manufacturer practices production control and in addition control of supply after production. Control of production is much more difficult in agriculture than in industry, and I am fully aware that control of acreage does not necessarily mean control of supply, because weather and pests, which are beyond the farmers' control, exert such a tremendous influence on production. Nevertheless, it is perfectly obvious that planted acreage is ordinarily a dominant factor.

We are grappling with the problem of aiding agriculture from every available approach, whether it be production control, fixing of prices, or any other method which in any given case is sound and workable.

PROGRESS ON ALL FRONTS

In our race against time, our progress in bringing help to the distressed farmers of the United States seems to be painfully slow. Yet, as I look back on the last 2 months, I can realize that we have made enormous progress on all fronts.

When a general is fighting a battle he does not change his plan of strategy without some compelling reason. We see no reason to abandon our plan, which is receiving overwhelming support from the majority of the farmers, and substitute for it one not fully considered which is advocated by a small minority and which the others obviously could not accept. We shall keep our minds open and will consider any and every proposal from responsible sources which offers promise of a solution of the complex problems of agriculture.

The farmers of the Middle West and the Northwest are sorely in need of help. We are working to give them that help just as rapidly as organized effort can get it to them. We are confident that most of them will refrain from hampering us with ill-advised methods of violence and will do all they can to speed our action. They will be patient a little longer, for they know that for the first time in 12 long years there is an administration in Washington willing to use the great powers of the Federal Government to bring them economic justice. That being true, they are certain to get results.

